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Supreme Court of the United States

OCTOBER TERM, 1937.

No. [REDACTED]

2

KELLOGG COMPANY,

*Petitioner,  
Defendant,*

*against*

NATIONAL BISCUIT COMPANY,

*Respondent,  
Plaintiff.*

BRIEF IN OPPOSITION TO APPLICATION FOR  
WRIT OF CERTIORARI.

THOMAS G. HAIGHT,  
DAVID A. REED,  
DRURY W. COOPER,  
CHARLES A. VILAS,

*Of Counsel for Respondent.*



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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1937

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KELLOGG COMPANY,	}	No. 396.
Petitioner, Defendant,		
AGAINST		
NATIONAL BISCUIT COMPANY,	}	
Respondent, Plaintiff.		

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED  
STATES CIRCUIT COURT OF APPEALS  
FOR THE THIRD CIRCUIT.

**BRIEF IN OPPOSITION.**

**Statement of the Case.**

The recital of facts in petitioner's petition and brief is incomplete and in several respects incorrect. The pertinent facts are as follows:

This is an action for *unfair competition* involving, as often occurs in such cases, related questions of trade

\*(For convenience the respondent will in this statement of facts be referred to as the plaintiff and the petitioner as the defendant).

mark and trade name infringement. *It is peculiarly one that must stand upon its own facts.*

About the year 1893, Henry D. Perky put to commercial use a new process for a form of bread manufactured out of whole wheat.\* The process consisted in boiling wheat and passing, under pressure, the softened wheat berry between rolls, one of which contained grooves. This caused the wheat to be extruded in the form of long filaments or threads, which were later cut and baked in the form of a pillow-shaped biscuit, and were sold by Perky in Denver as early as 1893, under the fanciful and *then entirely novel* name of "Shredded Wheat" or "Shredded Wheat Biscuit.†

A year or two later, Perky applied for and obtained a patent, No. 548,086, dated October 15, 1895, covering the process of boiling the wheat and crushing and spinning it out in threads with the rolls; but the patent did not extend to the *completed* "Shredded Wheat" biscuit. The process produced the long filaments or threads which the inventor said were then ready for use as food without further cooking, "or it can be shaped for baking in various ways".‡

On September 17, 1895, design patent No. 24,688 was issued to Perky, covering a biscuit of the familiar "Shredded Wheat" form; but the design patent (which would have expired in 1909) was held invalid in 1908 by Judge Kohlsaat in the Northern District of Illinois, Eastern Division, upon the ground that the design had been in use by Perky for more than two years prior to application for the patent.§

In 1912, the process patent expired, and the right to make the long filaments or threads of boiled wheat disclosed in the patent became public property. There

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\* R. 195

† R. 959, 971, 980.

‡ R. Vol. IV, p. 207.

§ R. 2020. The decision is unreported.

were also patents upon various machines for operating the process and upon mechanism incident to the manufacture and baking; and these, too, expired at the same time or soon after.

In 1915, a former employee of the Shredded Wheat Company (predecessor of plaintiff) started to market a whole wheat biscuit in exactly the same form and shape as the Perky biscuit, but was enjoined by the District Court of Connecticut upon the ground that the *form or shape* had acquired a secondary meaning connected with plaintiff's predecessor (*Shredded Wheat Co. vs. Humphrey-Cornell Co.*, 244 Fed. 508). That injunction was retained in modified form by the Circuit Court of Appeals for the Second Circuit (250 Fed. 960). The defendant in that case, however, did *not* attempt to use the name "Shredded Wheat" contenting himself with calling the biscuit "Whole Wheat," which is the true generic name.

The process disclosed by the patent has been used for many years since the expiration of the Perky patent by one competitor of the plaintiff, the Quaker Oats Company; but the latter *shapes* its product for baking in a manner totally unlike the familiar "Shredded Wheat" biscuit and calls it "Muffets".\* Also, another competitor, the Loose Wiles Biscuit Company, has availed itself of the Perky process patent and produces still another *form* of biscuit, which it calls "Rippled Wheat" (*ibid*).

The Kellogg Company, defendant here, in 1922, *ten years* after the expiration of the patent, commenced the manufacture of a whole wheat biscuit resembling plaintiff's biscuit and called it "Shredded Wheat", but *desisted* in the same year, upon objection by plaintiff's predecessor.† Five years later, in 1927, and *fifteen years* after the expiration of the patent, the defendant again

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\* R. 285.

† R. 103, plaintiff's Exhibit 7; interrogatories Nos. 12 and 13, R. p. 67.



began the manufacture of biscuits the *same* as plaintiff's under the name "Shredded Whole Wheat Biscuit".

The plaintiff's predecessor promptly brought suit for an injunction against the defendant and a dealer, in the District Court for Connecticut, seeking substantially the same relief as is sought in this suit. In 1930, and while that suit was pending, the defendant *again abandoned* the use of the name "Shredded Wheat" as part of its product name and commenced to designate its product on its cartons as "Kellogg's Whole Wheat Biscuit"; and, thereupon, the Connecticut suit was dismissed without prejudice.\*

The present suit, commenced in 1932, followed the defendant's resumption of the use of the name "Shredded Wheat" as a *trade name* in its advertising and on the end of its cartons, and its appropriation on the face of its cartons of the plaintiff's registered trade mark, consisting of two biscuit in a dish,† and other deceptive devices to be hereinafter referred to.

Thus, for fifteen years after the expiration of the Perky patent, with the exception of the Ross Company, which in 1915, was enjoined, no one sought to use the process disclosed by the Perky patent to make a biscuit of the *form and shape* of plaintiff's; and *no one at all sought to use the name "Shredded Wheat"* except defendant for a short time in 1922, as before stated. All competitors except the defendant, have respected the plaintiff's right in the *name* and, with the exception aforesaid, in the *shape* of the biscuit. During that period of fifteen years, plaintiff and its predecessors expended more than \$17,000,000 in connecting the *name* and particular *shape* of the biscuit with themselves, and thus identifying it as their product. It is undisputed that, at the time of defendant's entry into the competition complained of, both name and form of the biscuit were accepted by the trade and by

\* See Plaintiff's Exhibit 251, Record volume 4, p. 127.

† R. Vol. I, pp. 217, 219.

consumers as identifying the product with plaintiff and its predecessors.

Thus it will be seen that the defendant alone of all competitors found it necessary to take from the plaintiff both its *name* and the *form* and *appearance* of its product. In its effort to trade on plaintiff's good-will, it did even more than that; it appropriated and placed on its packages the plaintiff's before-mentioned 2-biscuit-in-dish trade-mark. Defendant also utilized in the cartons in which it dispensed its product a cellophane window, which exhibited the ends of the biscuit so that anyone looking through such a window could not possibly distinguish the defendant's biscuit from that which had characterized the "Shredded Wheat" of plaintiff and its predecessors for approximately 40 years. Still worse, as pointed out by the court below, it placed on its cartons the words "*The original has this signature; W. K. Kellogg*". The court below found that the defendant's object from this latter fact, coupled with the others, was as follows:

"There could have been but one object for doing this, and that was by unfair competition and untruthful statements, to deceive the public and secure the trade which in equity and good conscience belonged to the plaintiff".\*

In 1922, when defendant made its first brief attempt to use the name "Shredded Wheat" from which it promptly desisted upon objection by plaintiff, the latter had spent more than \$6,700,000 since the expiration of the patent in connecting the name and appearance of the product with itself. This sum was fortified by the previous expenditure during the life of the patent of approximately the same amount.

From 1922 to 1927, when the defendant again began manufacture, the plaintiff spent the enormous sum of \$8,800,000 to the same purpose. During the two years

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\* R. Vol. III a, p. 2092. Officially reported 91 Fed. (2) 150.

immediately following the defendant's second abandonment of "Shredded Wheat" and its adoption of the name "Whole Wheat Biscuit" the plaintiff spent more than \$2,500,000.

It should be observed that the defendant, while it lays stress on the fact that it claims the expression "Shredded Wheat" to be descriptive, uses it not in a *descriptive* sense but only as a *trade name*.

The District Court for Delaware dismissed the complaint principally upon the ground that upon the expiration of the patents the right to make the biscuit and to call it by its name passed to the public under the doctrine of *Singer Manufacturing Co. vs. June Manufacturing Co.*, 163 U. S. 169. The Circuit Court of Appeals, after the first hearing, affirmed the judgment of the District Court in a *per curiam* opinion. A rehearing was asked for on the ground that the decision of the Court was not in harmony with the modern doctrine of unfair competition as defined by this Court in *Schechter Poultry Corp. vs. United States*, 295 U. S. 495. The rehearing was granted and the case was again fully argued by both sides. The Court unanimously reversed itself.

## ARGUMENT.

### I.

**The Case is Not One of Public Interest, But Depends Upon its Own Peculiar Facts.**

From the foregoing statement of facts, it should be apparent that the petitioner, *alone* among all competitors of the respondent, finds it necessary to copy the *name* and *form* from the respondent. Not only has it done this, but by *two retractions* (1922 and 1930) it has led the respondent to expend greater and greater sums of money in creating good will for itself inseparably connected with the form of the product and the name.

The facts of the case bring it squarely within the modern doctrine of unfair competition which has been markedly extended by this Court and other courts of this country, so as to protect merchants and businessmen against the more subtle forms of unfair business dealing to which modern business conditions and lack of business ethics seem continuously to give birth. In the *Schechter* case, *supra*, at page 532 this Court referring to the doctrine of unfair competition, said:

"In recent years, its scope has been extended. It has been held to apply to misappropriation, as well as misrepresentation, to the selling of another's goods as one's own—to *misappropriation of what equitably belongs to a competitor.*"

The following are other cases illustrative of the doctrine just quoted:

In *International News Service vs. Associated Press*, 248 U. S. 215, unauthorized use of news releases obtained by the Associated Press was enjoined as unfair although the act was not "passing off" as that term had previously been understood.

In *Motor Improvement, Inc. vs. A. C. Spark Plug Co.*, 80 Fed. (2nd) 385 (C. C. A. 6th), the defendant was enjoined from representing its filter as being the same as one which had been adjudged to infringe the plaintiff's patent, although it was not in fact the same.

In *Wall vs. Rolls Royce of America, Inc.*, 4 Fed. (2nd) 333, the Circuit Court of Appeals for the Second Circuit enjoined the use of the name "Rolls Royce" by a defendant who used it in connection with *radio tubes*, although the plaintiff had used the name only in connection with *automobiles*.

In *Aunt Jemima Mills Co. vs. Rigney & Co.*, 247 Fed. 407 (C. C. A. 3rd, cert. denied 245 U. S. 672), the Court enjoined the use upon *syrup* of a trade name previously

\* When italics are used in quotations it will be understood that the emphasis is ours unless otherwise noted.

used for many years on *pancake flour*, on the ground that the defendant would be enabled to get the benefit of the complainant's reputation and advertisement.

In the case at bar, the Circuit Court of Appeals affirmatively found that the petitioner by various means which in the aggregate, at least, were found to be unfair and inequitable, had sought to appropriate the plaintiff's good will. This finding of the Circuit Court of Appeals is amply supported in the record, the most important facts being set forth in the statement of the case *supra*. Defendant's entire course of conduct deprives it of any standing in a court of equity.

Thus it used the name "Shredded Wheat" when other competitors of respondent did not find it necessary to do so. It used the *form* and *shape* of the biscuit which has characterized respondent's product for over forty years, although no other competitor (except Ross who was enjoined) has ever used that form. It put on its cartons and in its advertising display (in the latter in large letters) "The original has this signature W. K. Kellogg". When it dropped the word "shredded" from the product name in 1930 and called its product "Whole Wheat Biscuit", it appropriated the plaintiff's trade mark of two biscuit in a dish and featured it on its cartons. Later it cut a window in its packages so that the ends of the biscuit would show in exactly the same form as plaintiff's.

It recognized respondent's rights in 1922 and desisted from the use of the name and form. It recognized them again in 1930 when it withdrew the word "Shredded" from its product name. During these intervals, as pointed out, the respondent expended vast sums of money in cementing with the public its great good will in this wholesome and popular food product. Petitioner now asserts that by adding the name "Kellogg" to the words "Shredded Wheat" the wrong is neutralized, notwithstanding that this Court said long ago that that "is an aggravation and not a justification" (*Menendez vs. Holt*, 128 U. S. 514, 521).

Surely such conduct amply justifies the relief to which the Circuit Court of Appeals found the respondent entitled.



## II.

**The Decision of the Circuit Court of Appeals Is Not In Conflict With Any Decision of This Court or of any Circuit Court of Appeals.**

(a) There is no conflict with the decision in *Singer vs. June*, 163 U. S. 169. This Court, in *Singer vs. June* recognized and enforced upon the defendant the doctrine of unfair competition. There were no such acts of unfair competition, *except those which were enjoined*, in the *Singer* case as in the case at bar. In that case, there was no delay of 15 years or, indeed, any material delay in adopting the name, and there were no retractions, as there were in the case at bar, for *substantial* periods of time, of the use of the name, during which time vast sums of money were expended by the original user of the name in building a good-will and in connecting the name with its product. The fact that all competitors of plaintiff except the defendant have found it unnecessary, in order to utilize the process and market the product thereof, to employ the *name* and the *shape* which has characterized plaintiff's biscuit for many years, shows that it was not necessary for the defendant, in order to adequately use the patent, to also employ the name and the form by which the product of the patent had been marketed before the expiration of the patent.

Moreover in the case at bar the product was a food which, by its excellent and nutritious qualities had become widely known and consumed. The name "Shredded Wheat" and the pillow-shaped form of biscuit were synonymous with the healthful product which the plaintiff and its predecessors had made and sold for 40 years. An inferior product put out by an unscrupulous competitor under the name "Shredded Wheat" could easily be harmful to the public and destroy plaintiff's good-will.

The Court below correctly found that the equitable considerations arising from the *peculiar* circumstances of this case required the protection which it granted. The District Court felt that the requirements of *Singer vs. June* were met by the carton in which defendant packed its product, but the Circuit Court of Appeals disagreed with this conclusion especially in view of the thousands and millions of biscuit which are served to customers by hotels, restaurants, etc., *outside of the carton*.\*

(b) The decision of the Court below is in complete harmony with the decision of the Circuit Court of Appeals for the Second Circuit in *Shredded Wheat Co. vs. Humphrey-Cornell Co.*, 250 Fed. 960. In that case respondent's predecessor brought suit in Connecticut against a distributor of the Ross Company, which less than three years after the expiration of the patent started to manufacture a biscuit exactly like respondent's but which it did not, however, call "Shredded Wheat". Judge Thomas in the District Court enjoined the sale of all biscuit like respondent's unless banded or marked. The Circuit Court of Appeals modified and affirmed this judgment holding that the marking or banding should apply only to biscuit reaching the consumer without the distinguishing package.† Ross claimed it to be impossible to place a distinguishing mark required by the Court on the biscuit.‡ The defendant in the case at bar made a similar claim and introduced evidence to support it.§ The court below, therefore, did

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\* See for example, R. pp. 501, 520, 527, 549, 554, 652, 714, 724, 731, 742, 784, 791, 798, 838, 845, 884.

† As pointed out (*supra*, p. 5), the Circuit Court of Appeals in the case at bar found that the defendant's *particular* package does not sufficiently distinguished the origin of the respective products.

‡ R. Vol. III, pp. 1995-6.

§ R. Vol. II, p. 1122 *et seq.*

exactly as the Circuit Court of Appeals for the Second Circuit did; it forbade the defendant from making a biscuit resembling in shape and appearance that of the plaintiff, *which was the only adequate relief which it could give the plaintiff, in view of the defendant's insistence that a banding or marking of each biscuit was impractical.* This imposes no hardship upon the defendant that has not been overcome by all other competitors who have undertaken to make use of the process of the expired patent. "Muffets," made by Quaker Oats, has a distinguishing shape, and so does "Rippled Wheat," made by the Loose Wiles Company. As already pointed out, *supra*, page 2, the process patent does not produce a biscuit of any defined form but only the long filaments of wheat which may then be "shaped for baking in various ways."

(c) The decision of the Circuit Court of Appeals is not in conflict with the decision of the Court of Appeals of the District of Columbia in *Natural Food Co. vs. Williams*, 30 Appeals D. C. 348 decided in 1908. That case did not involve unfair competition or inequitable conduct. It involved a purely technical trade mark registration question which, upon purely technical grounds, was decided adversely to the predecessors of the present respondent.

(d) The decision of the Circuit Court of Appeals in no respect conflicts with the decision of the Circuit Court of Appeals for the Second Circuit in *Kellogg Company vs. National Biscuit Company*, 71 Fed. (2nd) 662. That was an action for treble damages under the Sherman Act for attempt to monopolize. The complaint was dismissed by the District Court upon demurrer. This action was reversed by the Circuit Court of Appeals which held that, the averments of the complaint which alleged an unlawful attempt to monopolize and restrain interstate commerce were sufficient "to withstand demurrer". The Kellogg Company, plaintiff in that case, has not yet



succeeded in filing an amended complaint and indeed apparently attaches no importance to the case as it permitted it to be dismissed for want of prosecution on June 18th, 1937. If anything were lacking to show the complete want of merit in the present petition, the absurd claim of conflict with that decision should be sufficient.

(e) The decision of the Circuit Court of Appeals is not in conflict with the decision in *Centaur Co. vs. Heinsfurter*, 84 Fed. 955, decided in 1898. There was in that case no evidence of any misconduct or unfair competition by the defendants. That fact alone distinguishes it clearly from the present case.

(f) The decision in this case is not in conflict with *Warner & Co. vs. Eli Lilly & Co.*, 265 U. S. 526. On the contrary, the decision in that case is illustrative of the relief to which the respondent here is entitled. That case involved the names "Coco-Quinine" and "Quin-Coco", both applied to a liquid preparation of quinine in combination with chocolate. The Circuit Court of Appeals had enjoined the defendant from using chocolate in the manufacture of the preparation and from continuing the use of the name. This Court, recognizing the right to manufacture this unpatented combination, nevertheless found the defendant guilty of fraudulent conduct and said (P. 532):

"The use (of the name) dissociated from the fraud is entirely lawful, and it is against the fraud that the injunction lies. But respondent being entitled to relief, it is entitled to effective relief; and any doubt in respect of the extent thereof must be resolved in its favor as the innocent producer and against the petitioner which has shown by its conduct that it is not to be trusted."

In the case at bar, the Court has found that the petitioner was guilty of fraud and attempted to appropriate the respondent's good will. The relief which it granted was

intended to be *effective relief* and, under the circumstances of this case, no relief less than that granted *could be effective*.

(g) The decision of the Ontario Court in *Canadian Shredded Wheat Company, Ltd., vs. Kellogg Company of Canada, Ltd.*, was rendered on November 30, 1936, before the decision of the Circuit Court of Appeals granting the injunction against petitioner's unfair practices. The decision of the Circuit Court of Appeals was rendered on April 12, 1937. An appeal has been taken in the *Ontario Case* to the Privy Council in London, but the case has not yet been argued.

(h) The suggestion of conflict with the Constitution as a reason for granting the petition is unusual, but there is no constitutional question involved and none was urged or decided in the lower courts. Since the expiration of the patent the respondent never has had and never has claimed a monopoly. This is proven by the fact that it already has two strong competitors in the manufacture of the Perky product who have not found it necessary in enjoying the fruits of the expired patent to attempt to appropriate also the plaintiff's good will. The expiration of a patent does not carry with it the patentee's good will and other intangibles. The petitioner's difficulty here is that it seeks to appropriate the latter and that is the gist of this case.

## III.

The name "Shredded Wheat", when first adopted by the Plaintiff, was not, and never has been, merely descriptive of the product.

The Circuit Court of Appeals found that the expression "Shredded Wheat" was not descriptive of the process or of the product but was at most suggestive.\* This finding is amply supported by the record in this case. As appears from the statement of facts *supra*, the wheat berries are crushed, not torn, and are extruded from the rolls in the form of long threads. They are not "shredded" within any accepted definition of that word.† As the Circuit Court of Appeals so aptly pointed out, it would be as logical to call steel rails "shredded steel" or copper wire "shredded copper".‡

But the point is unimportant in this case because the petitioner does not use or wish to use the words in a descriptive sense but in a trade mark sense in order more readily to appropriate the tremendous good will which years of advertising and expenditure of vast sums of money have created for the respondent. Moreover, we do not assume that this Court will wish to devote its time in deciding the question of fact as to whether the court below was right or wrong in concluding that the word was not descriptive but, at the best, merely suggestive.

There is no point in the alleged disclaimers. The disclaimer in the pictorial trade mark of the words "The Home of Shredded Wheat" cannot be construed on any rational basis as a disclaimer of the trade name "Shredded Wheat" when the latter has been asserted as such a trade name continuously for 40 years. It will be borne in mind

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\* R. Vol. III a, 2086.

† See for example Century Dictionary 1906, Webster's International Dictionary 1900.

‡ R. Vol. III a, 2086.

that the words "Shredded Wheat" were registered under the Act of 1920\* and in 27 states and many foreign countries.† The same applies to the other incidents referred to by defendant in which the words "Shredded Wheat" appeared only incidentally.

The use of the expression "shred" and "shredded" in patents and advertising is equally unimportant. If the term was not descriptive of either the process or the product, it was not made so by later referring to the product as "shredded". But, as we have pointed out, it will not avail the petitioner here because it does not use the word in a descriptive sense.

#### IV.

#### The assignments of error are insufficient.

It should be noted that petitioner does not assign as error the order of the Circuit Court of Appeals or any part thereof. He does not assign as error the direction to the District Court to issue an injunction, nor does he specify as error the order for an accounting. His specifications of error go to the *reasons* of the court below, but not to the action which it took.

#### Conclusion.

It is respectfully submitted that the petition should be denied.

Dated, September 27, 1937:

THOMAS G. HAIGHT,  
DAVID A. REED,  
DRURY W. COOPER,  
CHARLES A. VILAS,

\* Of Counsel for Respondent.

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\* R. Vol. IV, pp. 201-2.

† R. Vol. I, p. 315.